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Italy Urging EU to change the way Dairy Farmers do Business

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Dairy and Products

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Report Highlights:

Italian Agriculture Minister Luca Zaia has been very vocal lately in support of EU and Italian dairy farmers, asking for labeling of origin for dairy products and financial support as compensation for dairy farmers in Europe who decide to quit the business.

General Information:

Italy Asking for Dairy Farm Support

Italian Agriculture Minister Luca Zaia has been very vocal lately in support of EU and Italian dairy farmers. Zaia has urged Brussels to consider putting aside more than €600 million this year, and perhaps even more for the next year, as compensation for dairy farmers in Europe who decide to quit the business. Industry sources report that such a measure would cut EU milk output by 3 million tons a year (about 2 percent).

While production costs remain very high, the average price paid to dairy breeders is around 28-25 cents per liter of milk. This problem is not unique to Italy but affects all dairy producing countries. In Europe more than 80 percent of dairy farms have less than twenty animals. In Italy things are no different. Since 1998, 138 thousand small farms have been forced to shut down.

Zaia's plan is to support small-scale dairy farmers who have been the hardest hit by the crisis. It is feared that many of the small-scale farmers will not be able to survive and may be forced to go under. Zaia's plan is to "remove from the

market 3 million milk tons for each year, paying the breeders approximately 20 cents per every liter of their milk quota encouraging the growth of average size companies.” Basically the smaller farms would be encouraged to sell their milk quotas to the UE through their individual States, rather than waiting for an inevitable foreclosure.

The EU is also planning on promoting intervention measures aimed at supporting dairy farmers. The EU is expected to propose to help the dairy sector by opening up cheese export refunds to a wider range of produce. Farm Commissioner Mariann Fischer Boel is quoted as saying that the EU intends to put forward “a proposal to abolish the minimum price triggers which currently restrict export refunds to higher value cheeses.”

Basically this would mean that cheaper bulk cheeses would qualify for financial support alongside top-end products. However, observers fear that this decision could possibly risk causing friction among the EU's trading partners by driving down cheese prices on world markets. Nonetheless, Fischer Boel is also quoted as saying, “that the current use of export refunds as a market management tool does not contradict commitments to phase out the aids by 2013, pending conclusion of the Doha Round of trade talks.”

Italy Asking for Obligatory Milk Origin Labels

Zaia has also urged Brussels to adopt obligatory origin labels for milk and dairy products in order to protect struggling farmers from cheap imports. Zaia is known for his staunch support of local produce and farmers, and origin of labeling for all products. Just this past year Zaia was instrumental in convincing the EU to adopt obligatory origin labeling for virgin and extra virgin olive oil. He now intends to request origin of label requirements for milk and dairy products “consumers will finally know for sure the origin of milk, especially that of long-life milk which is often imported.”

Being that Italy is one of the major milk producing countries in the EU, Zaia has signed an Italian decree on obligatory origin labels for milk and dairy products. Zaia now intends to ask that the EU support and approve his decree at the European level. Zaia’s decree requires that in Italy origin of long-life sterilized milk, UHT milk, pasteurized milk and dairy products must be indicated in the label to enhance trade transparency and promote quality products. The European Commission will have six months to express its opinion on Zaia’s decree, but Italy is determined to push ahead with the obligatory labeling on the national level in any case.